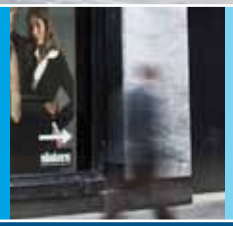
Multi-Let Retail Investment



# No 7-17 Union Street and 33-41 Baron Taylors Street | Inverness

Redpath Bruce

# Investment Considerations:

- Mix of recognised national covenants.
- All three tenants trade strongly from the location.
- Situated in close proximity to the train station, prime shopping pitch and the Eastgate Centre.
- The street scape has recently been upgraded now providing 3 separate bus stops increasing footfall markedly.
- Average unexpired term equates to 7 years (Break/Expiries in 3 & 9 years).
- Annual rent passing equates to **£203,000 per annum**.
- Offers invited over **£2.25m**, net of purchasers costs at 5.8%.
- Net Initial Yield: **8.50%**
- Reversionary Yield: **9.61%**
- Low Capital Value (per sq ft): **£61.50**

# Asset Management Opportunities:

- Basement and 2nd floor accommodation capable of being sold separately.
- Vacant floors are prepared to shell condition along with two brand new lifts and fire escapes.
- There are alternative use development opportunities for the upper elements.
- One ground floor unit remains "to let", offering reversion without relying upon rental growth.

# Location

The city of Inverness forms the capital of the Highlands and Islands region and provides the key retail and commercial centre for the north of Scotland. With a resident population of approximately 40,000, a further catchment of nearly 300,000, and the largest geographical catchment area in the UK, it is recognised as one of the fastest growing cities in the UK. There are an estimated 1 million tourists per year.

# Communications

The city benefits from excellent communications being located at the north end of the A9 which links to Perth and thereafter, the Scottish motorway network to Glasgow, Edinburgh and the South. The mainline railway station is situated within 200 metres from the subjects and provides direct services to Glasgow, Edinburgh and a regular sleeper service to London. The airport, situated 10 miles east of the city centre, provides daily services to the major UK airports and outlying islands and Western Isles.

# Situation

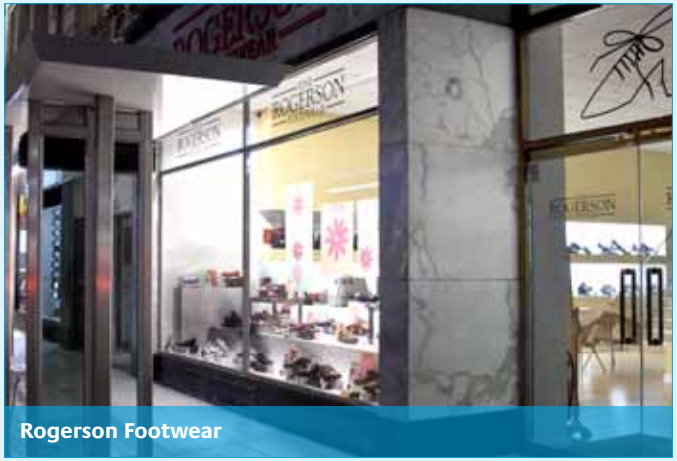
The subjects are situated on the south side of Union Street, close to its junction with Academy Street and within a short distance from Falcon Square which forms the main entrance to the Eastgate Shopping Centre. Union Street has recently been upgraded by the City Council with several new bus stops being added to re-paved streetscape, increasing both traffic and foot-fall passed the subjects.

**Slaters Menswear**

**Falcon Square**

# Description

The property comprises refurbished units over basement, ground, first and second floors. The premises are currently used exclusively for retail purposes, however, the remaining vacant space would lend itself to both office, leisure and residential use.




Rogerson Footwear

# Tenure

Heritable (Scottish equivalent of English FREEHOLD)

# Measured Areas

The property was inspected on Wednesday 19th January 2011 and measured in accordance with the RICS Code of Measuring Practice (6th Edition) and provides the following net internal areas:

| Unit | Tenant | Square Metres | Square Feet | ITZA |
|---|---|---|---|---|
| Basement | Vacant | 459.9 | 4,951 | n/a |
| Ground Floor 1 | Vacant | 515.35 | 5,547 | 1,995 |
| Ground Floor 2 | British Heart Foundation | 423.33 | 4,566 | 2,028 |
| Ground Floor 3 | Rogerson Shoes | 222.52 | 2,395 | 1,231 |
| 1st Floor | Slaters Menswear | 775.12 | 8,343 | n/a |
| 2nd Floor | Vacant | 1013.22 | 10,906 | n/a |
| Total | | 3,338.44 | 36,708 | |

# Tenancy

| Tenant | Floor | Area (sq ft) | ITZA (sq ft ZA) | Lease Start | Lease End | Term (years) | Review (Break) | Rent (pa) | Rental Rate (psf) | ERV Rate (psf) | ERV (pa) | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Vacant | Basement | 4,951 | n/a | n/a | n/a | n/a | n/a | £0 | n/a | £0.00 | £0 | No value attributed |
| Vacant | Ground Floor 1 (Unit 1) | 5,547 | 1,995 | n/a | n/a | n/a | n/a | £0 | n/a | £20.00 | £39,900 | Recent interest from cheque cashing & bookmakers |
| British Heart Foundation | Ground Floor 2 (Unit 2) | 4,566 | 2,028 | 30/03/2009 | 29/03/2019 | 10 | (30/03/2014) | £50,000 | £24.65 | £24.65 | £49,990 | Tenant only break option on fifth anniversary |
| Rogerson Shoes | Ground Floor 3 (Unit 4) | 2,395 | 1,231 | 18/04/2005 | 17/04/2020 | 15 | 18/04/2010 | £55,000 | £44.68 | £25.00 | £30,775 | Review on-going |
| Slaters Menswear | 1st Floor (Unit 5) | 8,343 | n/a | 30/03/2005 | 29/03/2020 | 15 | 3/30/2015 | £98,000 | £11.75 | £11.75 | £98,030 | Recent uplift at review |
| Vacant | 2nd Floor | 10,906 | n/a | n/a | n/a | n/a | n/a | £0 | n/a | £1.00 | £10,906 | Treated as basic storage - several alternative uses |
| Total | | 36,708 | | | | | | £203,000 | | | £229,601 | |

# Rental Value

On the basis that rents have regressed markedly since the tone of this property's rental was set, we are of the opinion that the tenancy to Rogerson Shoes is now over-rented and an ERV of £25 psf has been allocated here. The current review is on-going.

The British Heart Foundation lease was signed during the current recession and should be considered rack-rented, however, not over-rented.

We also consider that the first floor rental rate applicable to Slaters Menswear, following an uplift at the recent review, is now rack rented.

Due to the configuration of the remaining vacant ground floor unit, we have discounted the ERV by £5.00 psf, applying £20.00 psf ITZA.

Nil value has been attributed to the basement elements and £1.00 psf applied to the vacant uppers. We believe the view taken here is overly-pessimistic and should therefore, appeal to potential purchasers as an opportunity to add value.

# Covenant

The following information is based on the most recent Dun and Bradstreet reports available, however, we would expect interested parties to make their own investigations as to covenant strength. In general terms all three tenants provide sturdy covenants and represent "low risk" in credit terms.

| Tenant | D&B Rating | Risk Description | Net Assets |
|---|---|---|---|
| British Heart Foundation | 5A1 | Very Low Risk | £51.7m |
| Rogerson Shoes | O2 | Low Risk | £1.46m |
| Slaters Menswear | O2 | Low Risk | Undisclosed (17 Stores) |

# VAT

The property is elected for VAT, however, it is anticipated that the sale of the property will be conveyed by way of a Transfer of a Going Concern (TOGC).

# Investment Proposal

We are instructed to seek offers in excess of **£2.25M** exclusive of VAT for the benefit of our client's heritable interest in this investment. After allowing for purchaser's costs at 5.8%, this reflects a net initial yield of **8.50%** and a reversionary yield of **9.61%**.

# Further Information & Viewing

**Contact the sole selling agents:**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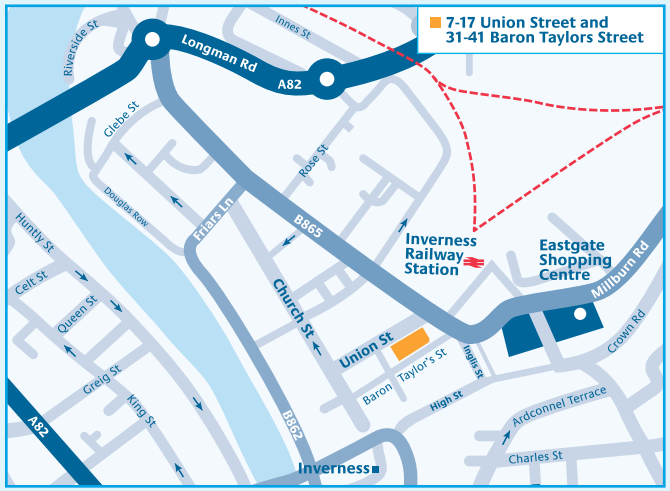


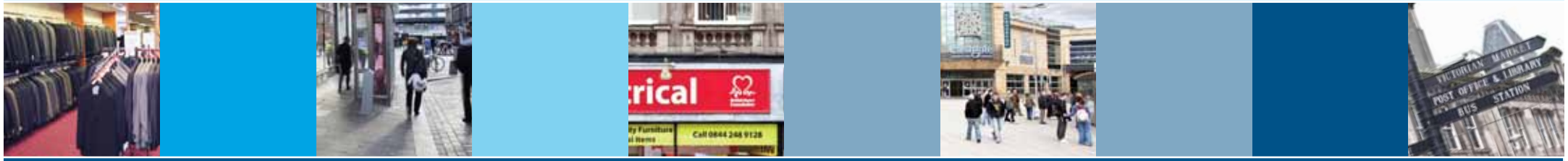


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